GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:390
ANSWERED ON:15.12.2000
NON-BANKING FINANCE COMPANIES
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Will the Minister of FINANCE be pleased to state:

(a) Whether Reserve Bank of India propose to allow certain top Non-Banking Finance Companies (NBFCs) to convert themselves into banksl

(b) if so, the details thereof alongwith the names of the NBFCs proposed to be converted into banks:

(c) the criteria fixed for NBFCs to convert themselves into banks; and

(d) the steps taken/proposed to be taken to ensure that the NBFCs converted into banks also fulfil all prudential norms like meeting Cash Reserve Ratio and Statutory liquidity ratio stipulations?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) to (d) :A working Group was set by the Reserve Bank of India (RBI) in January, 1998 to review the licensing policy for setting up of new private sector banks and to prescribe fresh guidelines in the light of the experience gained under the existing licensing policy. The Working Group submitted its report in April, 1999. The Working Group has, inter-alia recommended that it would be necessary and prudent that Non-Banking Financial Companies (NBFCs) which are mobilizing significant public deposits should be brought under the regulatory discipline applicable to banks by encouraging them to convert into commercial banks. The eligibility criteria for conversion of strong NBFCs into commercial banks alongwith the other recommendations of the group, are under finalisation by the RBI in consultation with Government of India.